

Message Text

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ACTION NEA-16

INFO OCT-01 EB-11 COME-00 PM-07 SP-03 EUR-25 CIAE-00

INR-10 NSAE-00 RSC-01 MC-02 DRC-01 ISO-00 SS-20 NSC-07

TRSE-00 L-03 AID-20 /127 W

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R 111000Z JUL 74

FM AMEMBASSY AMMAN

TO SECSTATE WASHDC 1890

INFO SECDEF WASHDC

EUCOM VAIHINGEN GER

DIA WASHDC

C O N F I D E N T I A L AMMAN 4030

E.O. 11652: GDS

TAGS: MASS, JO

SUBJ: VISIT OF AMG REPRESENTATIVES

REF: ASD: ISA(SA)DSAA 8786: 051841Z JUL 74

B. STATE 3804

1. DURING 7-9 JULY VISIT TO AMMAN BY MSSRS. LOLLIS AND BORIS OF AMG DISCUSSED WITH JAF AN INITIAL BUY OF 1645 VEHICLES, PRIMARILY 2 1/2 T AND 5 T BUT ALSO INCLUDED 100 1/4T VEH. PKG IS NOW PRICED AT \$49M AND AMG RECOMMENDS 20 PERCENT FOR CSP WHICH RUNS PKG TO APPROXIMATELY \$60M (RATHER THAN \$30M ORIGINAL PACKAGE).

JAF TOLD LOLLIS THEIR EVENTUAL GOAL IS TO PURCHASE 1600 5T AND 6750 2 1/2 T TRUCKS.

3. AMG OFFERED FOLLOWING FINANCIAL TERMS:

A. MAX CREDIT - \$30M

B. REPAYMENT IN 5 YEARS

C. GRACE PERIOD 6 OR 12 MONTHS

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D. BALANCE IN SEMI-ANNUAL INSTALLMENTS

E. INTEREST - EURODOLLARS (NOW 14PERCENT PLUS 1 1/2-1 3/4 PERCENT

F. OTHER TERMS:

1. 1/2 PERCENT MGT FEE
2. 1/2 PERCENT PER ANNUM ON UNUSED BALANCE
3. GUARANTY OF THE MIN OF FINANCE OR THE CENTRAL BANK OF JORDAN.

4. MG MAJALI TOLD LOLLIS THAT TERMS WERE UNACCEPTABLE. THEY WANT CHEAPER MONEY WITH PAYMENTS OVER 7-10 YEARS. LOLLIS WAS ASKED TO CONTINUE SEARCH FOR FUNDS. HOWEVER, HE WAS TOLD JAF WOULD USE THESE FUNDS TO GO FMS RATHER THAN COMMERCIAL.

5. LOLLIS AND MAP REP WERE ALSO TOLD BY MAJALI THAT JAF HAD JUST MADE A 3 YEAR CONTRACT WITH SPAIN FOR 33 BUSES AT ONLY 5 PERCENT INTEREST. BUSES WERE COSTED AT \$18,000 EACH (LOLLIS SAID SAME BUSES FROM AMG WOULD PROBABLY COST \$30,000 TO \$40,000 EACH) WITH TOTAL CONTRACT AT JUST UNDER \$1M INCLUDING CSP.

6. IN OUR CONTACTS WITH LOLLIS WE INDICATED OUR CONCERN OVER BUDGETARY IMPLICATIONS OF TRUCK PURCHASE UNLESS EXTERNAL FINANCING WOULD BE FOUND FOR IT IN WHICH CASE WE WOULD SUPPORT THE SALE.

7. HOWEVER, JUDGING FROM LOLLIS' BRIEF STAY IN AMMAN, WE BELIEVE HE AWARE THAT HE DOES NOT HAVE A SALEABLE PACKAGE VIS-A-VIS JAF AND THAT THIS DEAL IS NOT UNDER PRIORITY CURRENT CONSIDERATION BY JAF. THE \$60 MILLION COST OF THE LATEST PACKAGE, IF IT ACTUALLY MATERIALIZED, HAS EVEN MORE SERIOUS BUDGETARY CONSEQUENCES THAN THE ORIGINAL PACKAGE. SECONDLY, NOVEL IDEA OF BRIG. MAJALI IN PARA 4 THAT JAF WOULD ACTUALLY BORROW ON COMMERCIAL TERMS TO FINANCE AN FMS CASH TRANSACTION WOULD BE A FIRST FOR JORDAN AND GIVE SAME PROBLEMS NOTED ABOVE.
PICKERING

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